REMARKS

Claims 1-44 were pending in the present application and rejected. No claims are amended. The rejections are respectfully traversed in light of the following remarks, and reconsideration is requested.

Rejections under 35 U.S.C. § 112

Claims 1-44 were rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description. In particular, the Examiner states that the specification only goes up to paragraph 64, so Applicant's support at paragraphs 0238-0241 is not found.

Paragraphs 0238-0241 are from the corresponding published application 2007/0288375. These paragraphs correspond to paragraphs 50-53 in the application as filed. Thus, Applicant contends the previous amendment is supported at paragraphs 50-53 in the original application as filed and equivalently at paragraphs 238-241 in the corresponding published application. Reconsideration and withdrawal of the rejections are respectfully requested.

Rejections under 35 U.S.C. § 103

Claims 1-44 were rejected under 35 U.S.C. 103(a) as being unpatentable over Lee et al. (hereinafter Lee) (U.S. 2002/0099649) in view of Official Notice.

In rejecting claim 1, the Examiner states, in part, that "Lee specifically does not mention action is based on non-merchant defined rules. But examiner believes this is an obvious modification of the art to allow non-merchant to modify the rule. Therefore, examiner takes Official Notice that third-parties like administrator of the system can also make changes to the rules." Applicant respectfully disagrees.

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With respect to Official Notice, the MPEP states that "such rejections should be judiciously applied." (MPEP §2144.03). Applicant notes that contrary to the caution advised by the MPEP, in this case, Official Notice is applied to a key limitation in all the independent claims that are not supported by the record. The MPEP goes on to state that "It would not be appropriate for the [E]xaminer to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-known. " (MPEP §2144.03(A)) (emphasis added). "For example, assertions of technical facts in the areas of esoteric technology or specific knowledge of the prior art must always be supported by citation to some reference work recognized as standard in the pertinent art. *In re Ahlert*, 424 F.2d at 1091, 165 USPQ at 420-21." (MPEP §2144.03(A)) (emphasis added). Applicant notes that no such support has been provided in this case. Reviewing courts must rely on the record, and the Federal Circuit has always required that absent the case where Official Notice is "instant and unquestionable," the Examiner must provide support and reasoning for Official Notice to be proper.

In the present application, the "examiner takes Official Notice that third-parties like administrator of the system can also make changes to the rules." However, per the above, the facts asserted as well-known must be capable of "instant and unquestionable" demonstration as being well-known, and Applicant does not believe that such is the case here. For example, Applicant contends that it is typically merchants are the ones who define rules for their business, not a third party. The reason is that third parties do not know what is important to the merchant; it is the merchant who knows what is important to its business. One merchant, such as one dealing with high volume low priced goods, may want to process as many transactions as possible, even if some will end up being fraudulent. Another merchant, such as one dealing with low volume high priced goods, may only want to process transactions

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with buyers who are virtually free of risk. Even same type merchants may have different rules. A merchant who is short on cash, but with lots of inventory, may want to process as many transactions as possible, while a merchant who is not that concerned with cash flow may be more careful with buyers. Yet another example is the merchant who has the desire, time, and/or staff to follow up with questionable prospective buyers, as opposed to just turning them away, as may be the case with another merchant.

In fact, Lee teaches exactly this same thing: that the merchant defines the rules. As discussed previously, clearly, Lee teaches that rules are defined by the merchant, and it is these rules that are processed to "automatically determine actions." In particular, in paragraph [0075], Lee states:

> The merchant defines rules 108 that apply the foregoing actions as desired, based on the fraud score. The rules 108 are defined and updated using a policy management workstation (PMW) 110. The PMW allows the merchant to write policies formulated as computational rules that become active within the rule engine 112, integrating a real-time decision making process into the merchant's order fulfillment system 102. The PMW allows the merchant to define, edit, delete any rules it desires. The use of the rules enables the merchant's fraud-risk prediction system to automatically determine actions based on the fraud scores, order data and information from external sources, and to incorporate information from the negative files that the merchant may have already accumulated.

(emphasis added).

Furthermore, Lee refers to the rule engine 112 as "the merchant's rule engine 112." (Paragraph [0069]) (emphasis added).

Thus, Applicant contends the statement that "third-parties like administrator of the system can also make changes to the rules" is not well-known and is not capable of "instant and unquestionable" demonstration as being well-known.

Furthermore, the Examiner relies on Official Notice as the "principal evidence" upon which the rejection of independent claims 1, 24, and 44 is based. Official Notice cannot be

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used in this manner. As section 2144.03(A) of the MPEP expressly warns, it is never appropriate to rely solely on Official Notice as the principal evidence upon which a rejection was based. Instead, Official Notice is only appropriate for facts and that serve to "fill in the gaps" in a rejection. (MPEP §2144.03(A)). This is why official notice is to be judicially applied. (MPEP §2144.03). It is unreasonable to conclude that the Examiner has used Official Notice to "fill in" a gap in this rejection, as clearly, the limitation is a key element of the invention recited in the claims. With the invention recited in Applicant's claims 1, 24, and 44, the credit issuer or payment provider processes the transaction data and any other data to determine an appropriate action for the merchant, without requiring the merchant to define a specific set of rules. To the contrary, using merchant-defined rules, as in Lee, requires the merchant to actually set up, define, and possibly later modify rules in order to receive instructions on actions to take.

The legal standard for applying Official Notice under MPEP §2144.03 is rigorous, and Applicant respectfully submits that the present use of Official Notice falls short of meeting this high standard.

Without Examiner's Official Notice, there are no cited references that teach or suggest that "the action is based on non-merchant defined rules," as recited in claims 1, 24, and 44.

The remaining claims depend on claims 1 and 24 and are therefore patentable for at least the same reasons as claims 1 and 24 discussed above.

Accordingly, Applicant respectfully requests reconsideration and withdrawal of the rejections under 35 U.S.C. § 103.

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CONCLUSION

For the foregoing reasons, Applicant believes pending claims 1-44 are allowable, and a notice of allowance is respectfully requested. If the Examiner has any questions regarding the application, the Examiner is invited to call the undersigned Attorney at (949) 202-3000.

Certification of Electronic Transmission
I hereby certify that this paper is being electronically transmitted to the U.S. Patent and Trademark Office on the date shown below.

Ido Qu — **June 28, 2011** Date of Signature

Respectfully submitted,

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